

Cap & Trade Overview, the Western Climate Initiative (WCI) Offsets Subcommittee

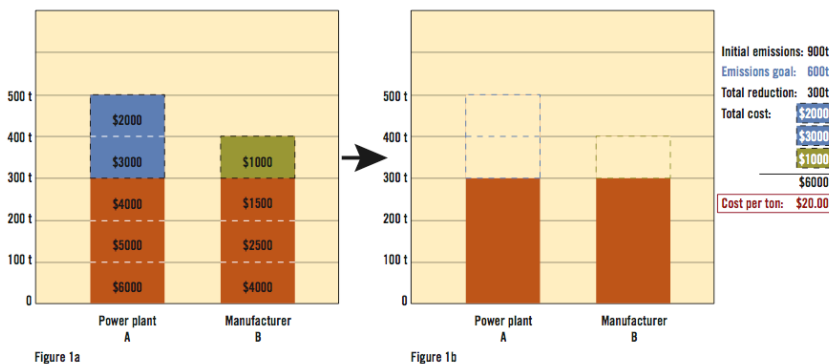


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 Washington State Department of Ecology
 May, 2008

Cap & Trade Background

Figure 1

Command and Control

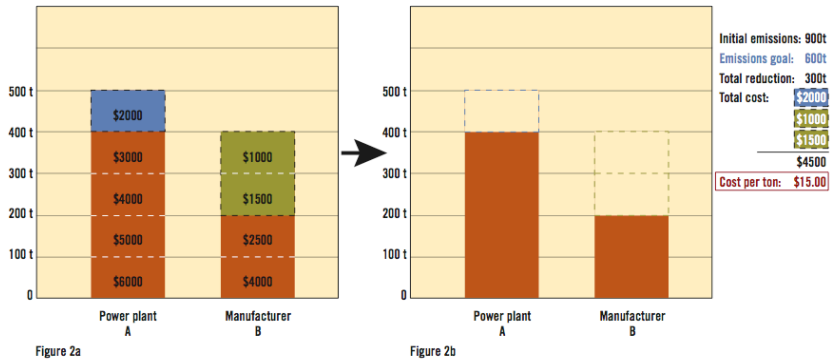


Source: Pew Center for Climate Change, "Climate Change 101"

Cap & Trade Background

Figure 2

Cap and Trade

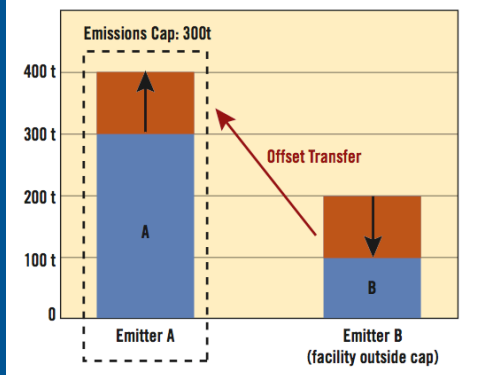


Source: Pew Center for Climate Change, "Climate Change 101"

Cap & Trade Background

Figure 3

Offsets



Source: Pew Center for Climate Change, "Climate Change 101"

Western Climate Initiative



Western Climate Initiative's Design Principles for Regional Cap and Trade

1. Is equitable, administratively simple for government and private participants, minimizes administrative costs, and has a clear compliance path.
2. Maximizes total benefits throughout the region, including reducing air pollutants, diversifying energy sources, and advancing economic, environmental, and public health objectives, while also avoiding localized or disproportionate environmental or economic impacts.
3. Requires all reductions to be real, surplus, verifiable, permanent, and enforceable.

Western Climate Initiative



Western Climate Initiative's Design Principles for Regional Cap and Trade

4. Stimulates investment, especially in low carbon technologies, and rewards innovations that lead to long-term greenhouse gas reductions.
5. Covers as many sources as is practical, while encouraging pollution reductions beyond the capped sources and sectors.
6. Provides appropriate recognition and incentives for early emissions reductions.

Western Climate Initiative



Western Climate Initiative's Design Principles for Regional Cap and Trade

7. Assures a transparent and robust accounting system that will measure and report emissions rigorously and consistently across all sectors and throughout the region.
8. Minimizes the potential for leakage
9. Facilitates linkage to similarly rigorous regional and international greenhouse gas reduction markets and encourages other states, provinces, and countries to join the market.

Offsets project types & protocols

The WCI recommends:

- development of an initial set of eligible project types and approved protocols prior to cap-and-trade program launch;
- developing a process to review and approve other project types and related protocols proposed by project developers;
- using protocols that are standardized to the extent possible; and,
- making use of, and adapting if needed, existing protocols as appropriate.

Offsets Project Location

The WCI should consider:

- A method that gives priority to offset projects located within WCI jurisdictions (also considering other roles of the offset system, such as ensuring that co-benefits occur within the region).
- Approving offset projects located throughout Canada, the United States, and Mexico, where such projects would be subject to comparably rigorous oversight, validation, verification and enforcement as those located within the WCI jurisdictions and would not undermine the ability for the WCI to link to other trading systems.

Tradable units from other systems

The WCI should:

- For compliance purposes, consider allowing individual regulated entities to use tradable units (offsets and allowances) from other government-regulated GHG emission trading systems that the WCI recognizes as meeting similarly rigorous criteria for environmental integrity.
- Ensure accounting systems are in place to prevent using tradable units more than once for compliance.

Quantitative Limits

The WCI recommends limiting the use of offsets and non-WCI tradable units for compliance by individual regulated entities:

- to ensure that meaningful emission reductions take place within the sources covered by the cap-and-trade system.
- in recognition that foregoing emission reductions at facilities covered by the cap-and-trade program in the WCI states has the potential to forego health benefits and other benefits near those facilities.